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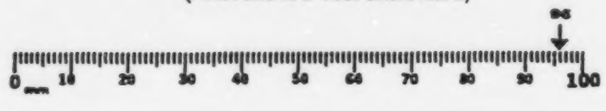

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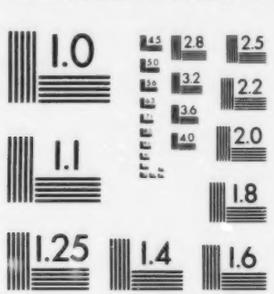

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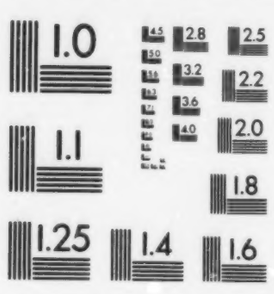

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British Columbia Lottery Corporation

Performance Plan
Fiscal 2001/02 – 2003/04

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MESSAGE FROM THE CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's first annual performance plan.

After more than 25 years of providing high-quality gaming entertainment to British Columbians, the Corporation is facing new challenges and exciting opportunities. Our performance plan is designed to meet these new demands in a rapidly evolving industry and increasingly competitive entertainment marketplace.

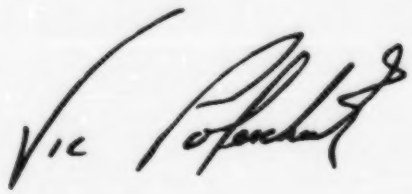
This performance plan sets new benchmarks for high-quality gaming entertainment, economic development and social responsibility and renews our commitment to uphold the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

British Columbia Lottery Corporation employees are proud of the revenues generated for vital public services. The Corporation's performance plan will position the organization to increase our contribution to government for health, social, charitable and other programs over the next three-year period and into the future.

We are equally proud of our contribution in supporting communities throughout British Columbia, and this plan sets even higher goals in our partnerships with municipalities, communities and charitable organizations.

The Corporation will expand its positive role in British Columbia communities through a number of new initiatives, from ensuring that more resources are available for people who experience problems as a result of gaming, to increased corporate support for community-service activities and programs.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Act*, British Columbia Lottery Corporation is pleased to present our performance plan for the period April 1, 2001 to March 31, 2004.



Vic Poleschuk
President and CEO

Executive Summary

The Corporation's performance plan has identified six key objectives that will provide the strategic direction for the organization over the next three-year planning horizon.

1. **High-quality Gaming Entertainment**

   The Corporation will meet or exceed consumer demands for high-quality gaming entertainment through product innovation, new and enhanced distribution channels and improved customer service.

2. **Social Responsibility**

   The Corporation will continue to expand its role in assisting in the development and implementation of sound policies that support responsible gaming and economic development in communities throughout British Columbia.

3. **Customer and Business Partner Service**

   The Corporation will continue to review its policies, processes and procedures that guide relationships with business partners and customers, targeting the highest possible levels of consumer and business partner satisfaction.

4. **Corporate Culture**

   The Corporation will continue to promote the key values and operating principles identified in the performance plan that support the well-being and culture of the organization and its employees.

5. **Business Effectiveness**

   Through the Corporation's ongoing business improvement program, the organization will continue to challenge existing processes and procedures with the objective of eliminating redundancies, improving service levels and reducing costs.

6. **Financial Objectives**

   Through innovative product development, improved service levels and the continuing development of distribution channels, the Corporation is targeting net income of $650 million in fiscal 2003/04, an increase of $100 million over fiscal 2000/01 projections. While the projected growth in gaming over the next three-year period is significant, British Columbia will continue to have one of the most moderate gaming policies of any province in Canada.

   Increasing competition, changing demographics and rapidly evolving technology are just a few of the issues that the organization will face over the next several years. These issues, along with the Corporation's focus on responsible gambling, effective and efficient operations and maintaining and building the trust of British Columbians for gaming in the province, will provide the organization with many challenges and opportunities.

British Columbia Lottery Corporation is responsible to conduct, manage and operate lotteries, casinos and electronic bingo in British Columbia. With its headquarters in Kamloops, a marketing office in Richmond and a branch office in Victoria, the Corporation employs a full-time equivalent (FTE) of 640 people. This includes employees based in the three offices, as well as lottery territory sales managers, casino gaming control managers, slot technicians and bingo system operators located throughout the province.

The Corporation is projecting sales in excess of $1.5 billion and net income of $585 million in fiscal 2001/02.

The Corporation contracts for the sale of its products through a private sector network of 3,800 lottery retailers, 18 casinos, 10 electronic bingo (Starship Bingo) sites and 80 linked bingo (SuperStar Bingo) locations. Lottery retailers receive an industry-standard commission rate to sell the Corporation's on-line and traditional lottery products. The Corporation has partnered with eight private sector casino service companies who provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a commission payment based on revenue generated. The Corporation has contractual agreements with about 70 commercial, independent and charitable bingo operators who receive a commission payment based on sales.

In fiscal 2001/02, BCLC will continue to make significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than $545 million in prizes to British Columbians, $250 million in commissions to lottery retailers, casino service providers and bingo operators, $125 million in purchase of goods and services, and $585 million in net income to the Government of British Columbia.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of over 5,000 people and over 10,000 indirect jobs.

STRATEGIC CONTEXT

OUR MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984 and is continued under the Lottery Corporation Act of British Columbia (1985). Prior to 1985, the Province of British Columbia was a partner in the Western Canada Lottery Foundation.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia, including the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming policy, the Corporation's mandate includes responsibility to:

- Conduct, manage and operate traditional lottery gaming and social gaming products
- Conduct, manage and operate casino gaming, including both community and destination casinos
- Conduct, manage and operate electronic and linked bingo gaming

British Columbia Lottery Corporation is currently responsible to the Honourable Joan Smallwood, Minister of Labour, through a Board of Directors appointed by Government. The current Board comprises nine members from major regions of the province.

OUR VISION STATEMENT

To be a world-class gaming corporation

This vision entails the following:

- Provide world-class gaming products that are fun and entertaining and that meet or exceed customer expectations
- Provide exceptional service to customers, business partners and each other
- Be a responsible corporate citizen
- Exceed stakeholder expectations and deliver tangible benefits for British Columbians
- Be a flexible, innovative and learning-focused organization
- Be one of the best businesses in British Columbia, recognized by our practices and reputation

OUR VALUES

Integrity	We are fair, honest and trustworthy in the games we offer and the way we conduct business
Social	We give careful consideration to the social values and impacts on the people and communities of British Columbia in all we do
Excellence	We strive for excellence in our work practices, products and relationships
Respect	Our workplace fosters openness, mutual respect and individual development

OUR MISSION STATEMENT

The mission of British Columbia Lottery Corporation is to provide high-quality gaming entertainment in a socially responsible manner for the benefit of all British Columbians.

Macro Trends – Scanning Ahead

British Columbia Lottery Corporation, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

Perhaps most significantly, additional responsibility to conduct and manage casino gaming in the province places the Corporation's business at the centre of one of British Columbia's most sensitive public policy issues.

The following environmental scan identifies the critical issues, opportunities and challenges ahead and guides strategic management of the Corporation to achieve the goals and objectives as identified in this performance plan.

Technology

Rapidly evolving communications and entertainment technologies mean new competition, additional costs and changing customer expectations. The Internet is dissolving historical commercial and geographic barriers, but technology is also bringing new efficiencies, new markets and new products.

Competition

Increasing competition for the discretionary dollars of British Columbians will continue to affect the Corporation's business environment. With globalization, e-commerce, and the advent of big-box retailers, consumer attitudes and expectations are shifting rapidly.

Consumers are becoming more sophisticated and knowledgeable about their options in the marketplace when it comes to pricing, brand loyalty and fulfillment in all discretionary spending. High-quality and larger gaming facilities in other jurisdictions will continue to set the competitive standard for British Columbia casinos.

Competing lotteries, expanded gaming in neighbouring jurisdictions and Internet gaming present strong new challenges. It is estimated current Internet gaming revenues are in the range of $1 billion (U.S.) worldwide and will increase to over $6 billion in the next three to four years.

While the Corporation is facing increasing competition, the organization is well positioned to compete with new products, new gaming facilities and a strong knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

Demographics

The Corporation will continually adapt to meet the changing demands of British Columbia consumers, whether they are new to gaming or part of a growing group of aging players.

A new multicultural generation of players is demanding excitement, adventure and an element of reality in their entertainment. At the same time, a growing segment of older British Columbians is seeking high-quality entertainment that combines social and community fulfillment with a positive gaming experience.

Globalization and the expanding New Economy are shifting traditional patterns of wealth in British Columbia to create an entertainment marketplace offering many options, along with players who demand greater entertainment value for every discretionary dollar spent.

Demographics and cultural shifts are not only changing public expectations of the Corporation's products and services; the changing nature of the workforce is resulting in stiffer competition when it comes to recruiting and keeping talented employees with specialized skills.

Social Considerations

The Corporation and Government recognize that aspects of gaming policy are inherently controversial. Gaming does, however, provide significant revenue for health and education for all British Columbians, as well as supporting charitable causes in British Columbia's communities.

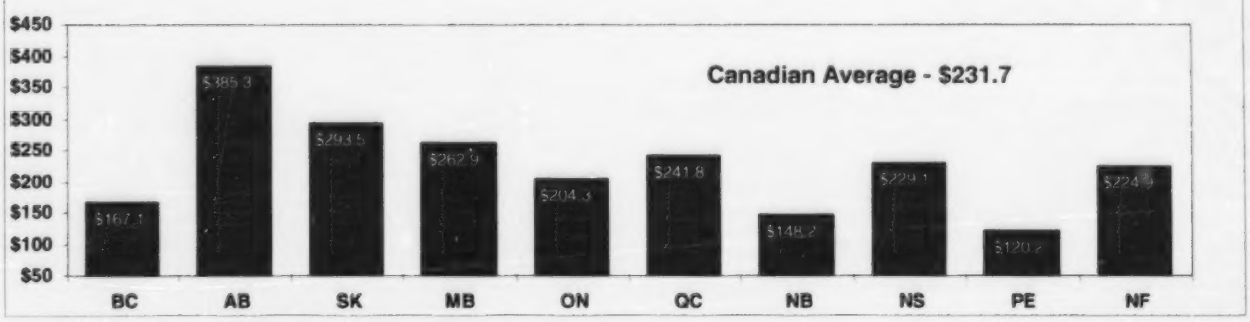
BCLC also recognizes the importance of being involved with communities, both geographically and with communities of common interest, to demonstrate the benefits of responsible gaming to the vitality of British Columbia.

Market Development – A Canadian Context

With the introduction of Government's new gaming policy in 1997, the Corporation's sales have increased from $867.5 million to a projected $1.5 billion in fiscal 2000/01. The majority of the increase has resulted from the introduction of slot machines in existing community casinos and the opening of two new destination casinos.

While gaming in British Columbia has grown significantly over the last few years, relative to other provinces in Canada, the adult per capita levels of gaming in British Columbia are moderate. In 1992, on a per capita basis, BC ranked fourth among the provinces. Only the Atlantic provinces that had introduced video-lottery terminals ranked ahead of British Columbia. Since this date, British Columbia's per capita gaming income has declined to eighth position among the provinces.

Canadian Per Capita Gaming Income
March 31, 2000
Exhibit One



Source: Various Industry Publications and Provincial Gaming Authorities

British Columbia's lower per capita gaming revenues reflect the more aggressive introduction of large-scale casinos and video-lottery terminals in other provinces. Currently, British Columbia has one slot machine for every 1,300 adult residents. This compares to the Canadian average where there is one slot machine or video-lottery terminal for every 311 adults. The Corporation's financial projections included in the performance plan reflect the policies of the Government of British Columbia for continued moderate levels of gaming participation in the province.

Goals and Objectives

In fiscal 2000/01, the Corporation developed a new five-year strategic plan for the organization. This plan reflects the Corporation's expanded responsibilities and provides a longer-term vision for the development of lottery, casino and electronic bingo gaming in British Columbia. The Corporation has six key goals that reflect our business plan and define critical elements moving towards our vision of being a "World-class Gaming Corporation."

1. To Provide High-quality Gaming Entertainment

Focusing on products, services and distribution channels, the Corporation has set a target to produce 10 per cent of revenue through new products and improved availability of products by 2004.

The Corporation will establish new strategic alliances to facilitate the development and delivery of innovative lottery products and services, increase investment in new product research and development, and enhance distribution channels to provide higher levels of fun, entertainment and convenience to our customers.

The Corporation will also focus on enhancements to casino gaming to attract a broader player base, increase player satisfaction, compete more effectively with out-of-province casinos, and to increase the economic benefits to communities. Development of competitive products, the establishment of new casino facilities through community casino relocations, and improved customer services will be a key focus over the next three years.

Bingo gaming will undergo a similar transformation as the Corporation and bingo industry develop and implement a joint strategic business plan, designed to maintain a strong and healthy industry in British Columbia. Our target for 2003/04 is an increased player base with higher levels of customer satisfaction, and to build stronger relationships between the Corporation and bingo industry stakeholders.

2. To be a Socially Responsible, Trustworthy, Community-orientated Organization with a Broadened Base of Public Support

The Corporation will continue to expand its positive role in the lives of British Columbians and their communities, with a target of greater involvement in and support for local and provincial community-service activities and programs.

We will continue fulfilling our responsibilities as a leading corporate citizen in British Columbia by building strong, mutually beneficial relationships with communities, charities, and volunteer organizations.

The Corporation is also placing the highest priority on reducing the social harms of gaming entertainment over the course of this three-year plan. While the vast majority of our customers play responsibly, a small but significant number of individuals require assistance with gambling problems.

In March 2001, the Corporation doubled its funding to the Ministry for Children and Families' Problem Gambling Program to $4 million annually, and will continue to commit funding to the program.

In addition, the Corporation is developing its own Responsible Gaming Program, to be implemented in 2001/02, with the goal of providing a reliable and accurate information resource for British Columbians toward greater public awareness and understanding of gaming and its social and economic impacts — both positive and negative.

Our target is to play a key role in encouraging a downward trend in the social costs related to gaming in British Columbia through our awareness and responsible play initiatives and as the result of continued joint efforts with the Government of British Columbia and problem gambling organizations.

3. To be a Responsive, Customer-focused Organization

The Corporation will continue to review the policies, processes and procedures that guide our relationships with business partners and customers, targeting the highest possible levels of consumer and business partner satisfaction.

Our goal is to make it easy and enjoyable for our customers and those who sell our products to do business with the Corporation. We will take steps to ensure timely and accurate access to information and to provide greater involvement in our business and business decisions. We will also strengthen our ongoing relationships with business partners with a goal of increasing the value of being a British Columbia Lottery Corporation business partner.

4. To Maintain a Corporate Culture that Values Innovation and Excellence and is Committed to Employing the Best Possible People and Realizing Their Potential

The Corporation is continuing to manage recent transition and change, with the objective of attaining the highest possible positive employee satisfaction ratings and creating opportunities for individual skill and career development.

Our goal is to create greater involvement by all employees in corporate planning processes, to implement the action plan developed through our employee surveys, and to provide all of our employees with enhanced training and development opportunities throughout their career with the Corporation.

We will attract, develop and retain the best possible people in a workplace that values and rewards leadership, innovation and excellence. Our target is measured progress toward a corporate culture of shared values in a positive climate that fosters innovation, is open to change, and remains committed to realizing the potential of every employee.

5. To be an Efficient and Effective Business, Managing Our Resources Well and Delivering Tangible Results for British Columbians

The Corporation will continue to identify operational efficiencies throughout the organization.

The Corporation will implement an ongoing internal Business Improvement Project, designed to challenge existing processes and procedures to eliminate redundancies, improve services and reduce costs. Our goal is to perform at or better than the best practices within our industry and to measure our performance in critical areas of operation. The Corporation is currently examining best practices and determining performance benchmarks through evaluation of other gaming jurisdictions and the experience of similar industries.

The Corporation is also acting to ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness. New technologies and e-business operations will be active by 2003/04, together with new in-house capacity to adopt and modify new technologies to meet the Corporation's business requirements.

6. To Generate Gaming Revenue and Continue Our Contributions to the Economic Development of British Columbia Communities

Revenue Growth – Traditional Products

Fulfillment of the strategies and goals set out in the Strategic Business Plan will enable the Corporation to reach a 2003/04 sales target of $1.8 billion through growth of our existing business operations. Net income over this same planning period is targeted at $650 million, an increase of $100 million over fiscal 2000/01 projections.

Lottery

Initiatives and strategies to develop and expand our Lottery Ticket Centre and social gaming networks are under way, together with research and development toward new lottery products and distribution channels. Our target for lottery sales is $1.07 billion in 2003/04 with net income of $315 million.

Bingo

Initiatives to enhance existing bingo facilities, products and marketing are projected to increase bingo sales to $80 million in 2003/04 with net income of $12 million. Our focus will be to increase bingo revenues to charities, build stronger stakeholder relationships, and to increase the player base by adopting electronic gaming technologies and strengthening the social and economic benefits of bingo gaming for communities and local service organizations.

Casino

Growth in casino revenues over the three-year planning window will be driven by strategic development of facilities, products and services. Our goal is to make British Columbia casinos the first gaming choice for residents and tourists by competing more effectively with gaming entertainment offered in neighbouring United States regions and other provinces.

The Corporation believes that by working with our private sector casino partners to develop best-in-class casino facilities and entertainment in British Columbia, sales (after prizes) are targeted to reach $650 million in 2003/04 with net income of $323 million.

Transformational Revenue Growth

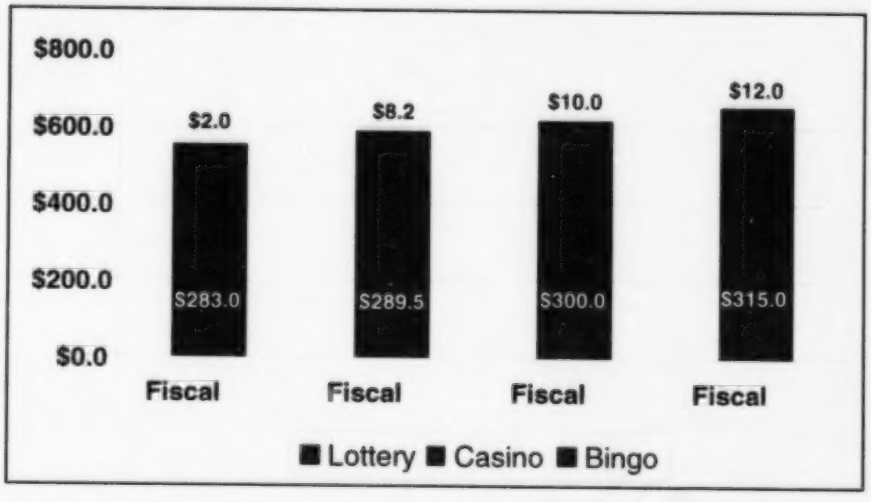
Our strong performance targets for revenue growth in our traditional businesses will be supplemented by new revenue opportunities emerging through ongoing transformation of the gaming marketplace during the years ahead.

Revenue and Net Income Projections
Exhibit Two
($ In Millions)

	Fiscal 00/01	Fiscal 01/02	Fiscal 02/03	Fiscal 03/04
Sales	$1,455.0	$1,538.0	$1,672.0	$1,800.0
Net Income	$550.0	$585.0	$613.0	$650.0

The rapid evolution of gaming technologies and products and the emergence of new forms of gaming entertainment — together with ongoing government reviews of gaming policy — can be expected to present the Corporation with new revenue opportunities and business challenges in coming years. The Corporation will establish the capacity to respond quickly to new revenue opportunities by investing resources in a New Business Development function, designed to anticipate emerging revenue opportunities and to ensure the Corporation is positioned to respond effectively in the marketplace.

Net Income by Product Line
Exhibit Three
($ In Millions)



Strategic Initiatives

The Corporation's goals will be achieved through the following strategic initiatives:

- **Growth of existing business to $1.8 billion, focusing over the next 36 months on**
  - Upgrading and relocating community casinos
  - Growing and improving our lottery retail network
  - Growing and enhancing our social gaming retailer network and products
  - Continued development of the electronic bingo market
- **Preparing for future transformational growth in a changing marketplace**
  - Development of innovative entertainment products and distribution channels
  - Development of a more competitive casino model to maximize long-term economic and tourism benefits to British Columbia
- **Building a stronger social contract with British Columbians and their communities**
  - Identify and deliver more tangible benefits for British Columbians
  - Set new standards for social responsibility, community-minded corporate citizenship and involvement
  - Develop stronger relationships with industry stakeholders
- **Strengthening our government relationships**
  - Provide reliable and balanced information regarding the gaming industry and related issues
  - Proactively participate in and support the development of government gaming policy
- **Focusing on operational excellence in our people, practices, systems, margins, and competitive position**

Performance Measures

TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

- Adult participation of 65% in at least one segment of gaming in British Columbia
- Develop a strategic business plan in partnership with the bingo industry
- Establish a new Product Development Group
- 10 % of total revenue to be generated by new products by fiscal 2003/04
- To relocate 50 % of the table game only casinos in the Lower Mainland to full-service facilities by fiscal 2003/04

TO BE A SOCIALLY RESPONSIBLE, TRUSTWORTHY, COMMUNITY-ORIENTATED ORGANIZATION WITH A BROADENED BASE OF PUBLIC SUPPORT

- Public lottery participation rate of 65%
- Replicate the 1996 Problem Gambling Incidence Survey
- Public support rate of 55% or greater
- Ensure appropriate funding is available for government problem gambling programs

TO BE A RESPONSIVE, CUSTOMER-FOCUSED ORGANIZATION

- 95% retailer satisfaction from lottery network
- Maintain customer satisfaction ranking of lottery retail services above 90%
- Establish baseline satisfaction ratings for casino and bingo operations

TO MAINTAIN A CORPORATE CULTURE THAT VALUES INNOVATION AND EXCELLENCE AND IS COMMITTED TO EMPLOYING THE BEST POSSIBLE PEOPLE AND REALIZING THEIR POTENTIAL

- Achieve a comprehensive employee satisfaction rating of 75% or greater
- Maintain employee turnover rate below 5%
- Complete action items identified in employee survey

TO BE AN EFFICIENT AND EFFECTIVE BUSINESS, MANAGING OUR RESOURCES WELL AND DELIVERING TANGIBLE RESULTS FOR BRITISH COLUMBIANS

- Maintain operating costs below 6% of sales
- e-Business plan complete by fiscal 2001/02

TO GENERATE GAMING REVENUE AND CONTINUE OUR CONTRIBUTIONS TO THE ECONOMIC DEVELOPMENT OF BRITISH COLUMBIA COMMUNITIES

- To achieve sales of $1.8 billion by fiscal 2003/04
- To achieve net income of $650 million by fiscal 2003/04

Major Capital Information

The Corporation's approved capital budget for fiscal 2001/02 is $26.1 million. A summary of capital expenditures by major category includes:

Lottery gaming equipment and systems	$ 6.6
Slot gaming equipment and systems	13.9
Electronic bingo equipment and systems	2.8
Management information systems	1.7
Building and leasehold improvements	1.1
	$26.1

The Corporation's capital budget does not include a provision for the replacement of the on-line gaming system. The Corporation is currently in negotiations with a system provider on system specifications, time lines and cost. When negotiations are complete, the Corporation will present a proposal to the Board of Directors.